

## Message Text

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PAGE 01 RANGOO 00304 311023Z  
ACTION H-02

INFO OCT-01 EA-09 ISO-00 EB-08 AID-05 IGA-02 COME-00 /027 W  
-----311124Z 121077 /17

R 310916Z JAN 77  
FM AMEMBASSY RANGOON  
TO SECSTATE WASHDC 2936

UNCLAS RANGOON 0304

FOR EB/IFD/ODF JOHN BLANEY

E.O. 11652: N/A  
TAGS: EFIN, EAID, OREP  
SUBJ: SENATOR GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT ASSISTANCE

REF: STATE 009837

FOLLOWING ARE COMMENTS ON SENATOR GRAVEL'S PAPER;

-- SENATOR GRAVEL CORRECTLY DESCRIBES THE ECONOMIC BENEFITS TO OUR OWN COUNTRY WHICH FOREIGN AID CAN BRING, AND HE MAKES AN EFFECTIVE CASE FOR AID ON MORAL AND HUMANITARIAN GROUNDS. AID CAN ALSO HAVE LONG-RANGE POLITICAL BENEFITS, IN TERMS OF PROMOTING INTERNATIONAL HARMONY AND IN SOME CASES REDUCING CHANCES FOR CONFLICT. BUT ALL OF THESE SORTS OF BENEFITS ACCRUE TO OUR SOCIETY AS A WHOLE. CONSEQUENTLY, IT DOES NOT SEEM FAIR TO TAX ONE RATHER SMALL ELEMENT OF THAT SOCIETY--THE MNC'S--IN ORDER TO BENEFIT ALL THE OTHER ELEMENTS. FOREIGN AID SHOULD MORE PROPERLY COME FROM THE GENERAL TAX REVENUES.

-- THE PROPOSAL INVOLVES A TAX OF UP TO 50 PERCENT ON INCOME EARNED BEFORE FOREIGN TAXES ARE PAID. SINCE FOREIGN TAXES ON MNC'S TEND TO BE RATHER HIGH (PARTICULARLY IN EXTRACTIVE INDUSTRIES SUCH AS OIL), IT SEEMS DOUBTFUL THAT THIS ADDITIONAL TAX COULD BE ABSORBED WITHOUT SUBSTANTIAL PRICE INCREASES. THIS WOULD IN TURN PUT U.S. MNC'S AT A SERIOUS COMPETITIVE DISADVANTAGE IN COMPARISON TO OTHER MNC'S AND COMPANIES NOT SO TAXED. TO THE EXTENT THE NEW TAX WAS COLLECTED, THEREFORE, THE U.S. MNC'S

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WOULD NEED SPECIAL U.S. GOVERNMENT SUBSIDIES OR OTHER FORMS OF PROTECTION, OR IN THE LONG RUN THEY WOULD BE DRIVEN OUT OF BUSINESS. THUS THE AID-GIVING PURPOSE OF THE NEW TAX WOULD EITHER BE UNFULFILLED BECAUSE OF THE ELIMINATION OF U.S. MNC'S AS VIABLE ECONOMIC ENTERPRISES; OR IT WOULD BE ACHIEVED ONLY IN A RATHER INEFFICIENT MANNER (I.E., IF SUBSIDIES OR ARTIFICIALLY HIGHER PRICES FOR U.S. CONSUMERS RESULT, WHY NOT APPROPRIATE

THE AID DIRECTLY FROM GOVERNMENT REVENUES INSTEAD OF, IN EFFECT,  
GIVING SUBSIDIES TO MNC'S SO THEY IN TURN CAN PAY THE AID TAX,  
OR ERICTING ARTIFICIAL TRADE BARRIERS AND CONSEQUENT HIGHER  
PRICES WHICH WOULD SERVE AS AN INDIRECT TYPE OF TAXATION ON  
CONSUMERS?).

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PAPERS, TAXES, DEVELOPMENT PROGRAMS, FOREIGN ASSISTANCE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 31-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770033-0827  
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**Office:** ACTION H  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Reference:** 77 STATE 9837  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 28-Sep-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3507280  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SENATOR GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT ASSISTANCE  
**TAGS:** EFIN, EAID, OREP, BM, US, (GRAVEL, MIKE)  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/d55e9ed1-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
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